OFFICE OF THE SUFFOLK COUNTY COMPTROLLER

H.E.L.P.-Suffolk Inc.

A Performance Audit of the Emergency Housing Services Program

Period Covered:
July 1, 2015 through June 30, 2017

Report 2019-15 **Date Issued: May 4, 2021**

John M. Kennedy, Jr.

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EXECUTIVE SUMMARY

Purpose
To conduct a performance audit of H.E.L.P.-Suffolk Inc.'s (Agency) Homeless Shelter Provider Financial Statements (HSPFS) for the July 1, 2015 through June 30, 2017 period to determine if the revenues and expenses relating to the Emergency Housing Services Program (County Program) were properly calculated, adequately documented and were reported in accordance with Suffolk County Department of Social Services (DSS) guidelines, including the DSS Reimbursable Cost Manual for Not-for Profit Shelters (RCM), and all other applicable laws, contracts and regulations.

Background
The Agency is a not-for-profit organization, located in Bellport, New York, which was established to provide emergency housing services in a New York State licensed Tier II facility operated by the Agency, for individuals and families without permanent housing. The Agency is reimbursed on a fee for service basis. As such, the Agency would be paid a per unit rate multiplied by the number of days each DSS-authorized homeless shelter client (Client) was housed. The Agency's per unit rate for the audit period was determined by DSS pursuant to review and approval of its proposed budget. For the period July 1, 2015 through June 30, 2017, the Agency reported $6,279,266 of expenses for the County Program (Exhibit, p.16).

Key Findings
Our audit of the period July 1, 2015 through June 30, 2017 disclosed that the Agency was overpaid $1,742,787 (Exhibit, p.16) by the County which, as stipulated by the agreement between the Agency and the County (County Contract), must be returned to the County. The net overpayment primarily includes, but is not limited to, the following:

- $1,168,153 of surplus County Funding, $1,165,158 of which was not disclosed by the Agency on the HSPFS;
- $269,887 of employee wages that exceeded the amount approved by DSS for the positions;
- $49,220 of fringe benefit expenses related to the disallowed employee wages;
- $10,533 of college tuition payments to personnel who did not work for the County Program;
- $86,579 of information technology services procured from a related party that was not disclosed to DSS for prior written approval;
- $131,425 of fixed assets (net of the related depreciation expense) improperly expensed in the year of acquisition;

Key Recommendations
To DSS:
- Review the disallowances identified by our audit and, if warranted, adjust the Agency's future per unit rate to better match County payments with anticipated expenditures.
- Work with Agency officials to help ensure their proper reporting of revenue and expenses.

To The Agency:
- Ensure that costs reported on the annual HSPFS comply with the RCM and County Contract.

LETTER OF TRANSMITTAL

February 4, 2021

Mr. Tom Hameline, PhD, President and CEO
H.E.L.P. USA, Inc.
115 East 13th Street
New York, New York 10003

Dear Mr. Hameline:

In accordance with the authority vested in the County Comptroller by the Suffolk County Charter (Article V), a performance audit was conducted of the Emergency Housing Services Program (County Program) provided by H.E.L.P.-Suffolk Inc. (Agency) located at 685 Brookhaven Avenue, Bellport, New York 11713. The Agency is an affiliate of H.E.L.P. USA, Inc., which has its principle administrative office at 115 East 13th Street, New York, New York 10003. The County Program is administered by the Agency pursuant to an agreement (County Contract) with the Suffolk County Department of Social Services (DSS).

Our audit focused upon the revenue and expenses reported on the Agency's Homeless Shelter Provider Financial Statements (HSPFS) for the July 1, 2015 through June 30, 2017 period. These statements are the responsibility of the Agency's management. The overall audit objectives were as follows:

- To ensure that the HSPFS were prepared in accordance with the County of Suffolk Department of Social Services (DSS) Reimbursable Cost Manual for Not-for-Profit Shelters (RCM) and the County Contract.
- To ensure that all staff working at the Agency's shelter locations were duly screened and cleared by DSS to work at such locations in accordance with §438 of the Laws of Suffolk County, New York.
- To determine whether reported salaries were in compliance with the budgeted limitations set forth by DSS as required by the Article I (16) (a) of the Contract.
- To determine whether revenues reported on the Agency's HSPFS agreed to amounts reported as paid by DSS as per New York State's Benefit Issuance Control System (BICS).
- To ensure that established capital reserve funds were appropriately spent within the required time period, or duly returned to DSS if not utilized, as stipulated by the RCM.
- To determine if the County Program's audited costs are less than audited revenues (which shall include, but not be limited to, DSS per diem funding, client fees as determined by

DSS, non-DSS client fees, and other miscellaneous revenues) as such overpayment, in accordance with Article II (5) (a) of the Contract, must be returned to the County.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying Schedule of Revenue, Expenses and Net Audit Adjustment for the period July 1, 2015 through June 30, 2017 was prepared for the purpose of summarizing the audit adjustments disclosed by our audit with respect to those areas tested and therefore, may not be a complete presentation of the Agency's expenses and revenues in accordance with generally accepted accounting principles (GAAP) and the RCM. The RCM specifies the expenses that the County of Suffolk will and will not accept for reimbursement.

As a result of our audit for the period July 1, 2015 through June 30, 2017, it was determined that the Agency's audited program revenues exceeded the audited program expenses by $1,742,787 (Exhibit, p.16).

Respectfully submitted,

Office of the County Comptroller
Division of Auditing Services

BACKGROUND

Pursuant to the County Contract, the Agency provided emergency housing services for individuals and families without permanent housing in a New York State Licensed Tier II facility located in Suffolk County. The Agency also provided case management and other supportive services necessary to assist the Clients in the location and retention of permanent housing. During the period of audit the Agency received administrative and management services from H.E.L.P USA, Inc., a parent organization located at 115 East 13th Street, New York, NY 10003. H.E.L.P. USA, Inc. also provided emergency housing and support services for similar populations through affiliate organizations located throughout the country.

The term of the County Contract was November 15, 2015 through November 14, 2020 with one five-year renewal option. Our audit was conducted for the two fiscal years ending June 30, 2016 and June 30, 2017.

The County Contract dictated that payment for services rendered to the Clients would be on a fee for service basis. As such, the Agency would be paid a per unit rate multiplied by the number of days each Client was housed. DSS also evaluated the Clients to determine if they were financially able to contribute a fee toward the cost of their services. The Agency was responsible for collecting any such fees and using the fees as an offset against operating expenses.

The Agency's per unit rate for the audit period was determined by DSS pursuant to a review and approval of its proposed budget. DSS' RCM specifies those costs that are allowable and directs that costs must be reasonable, necessary and directly related to an adequate program for the Clients.

The Agency is contractually required to maintain accounts, books, records, documents, and other evidence which sufficiently and properly reflect all direct and indirect costs of any nature expended in the performance of the County Contract. Such costs and the related revenues must be reported on the HSPFS in accordance with GAAP, the RCM and all other rules, regulations and financial directives, as may be promulgated by our office and DSS. The Agency is required to have an independent CPA conduct an annual audit of its' revenues and expenses relating to the County Program within 120 days of the end of the Agency's fiscal year and have the corresponding audit report submitted to DSS within 150 days of the fiscal year end.

All payments made under the County Contract are subject to audit by the Comptroller pursuant to Article V of the Suffolk County Charter. As such, an audit of the Agency's HSPFS and related financial and statistical data has been performed by our office to determine whether allowable costs are less than the amount received (which shall include, but not be limited to, DSS funding, client fees as determined by DSS, non-DSS client fees, and other miscellaneous revenues) as such overpayment must be returned to the Suffolk County Comptroller within thirty (30) days after the issuance of an official audit report by the Comptroller or his duly designated representatives. However, recovery of the overpayment does not preclude the Suffolk County Comptroller from expanding the scope of this audit at a later date and performing a full financial audit of the Agency's records pursuant to Article II (5) (a) of the County Contract.

REPORTING REQUIREMENTS

We provided a draft copy of this report to the Agency's officials for their review and formal comment. We considered their comments in preparing this report and have included them in their entirety at the end of the report. Our responses to the Agency's formal comments are included in the Comptroller Office's Comments on the Agency's Response.

AUDIT FINDINGS AND RECOMMENDATIONS

Our audit of the period July 1, 2015 through June 30, 2017, disclosed that the Agency was overpaid $1,742,787 (Exhibit, p.16) by the County which, as stipulated by the County Contract, must be returned to the County. Specifically this excess County Funding is comprised of the following:

Under Reported Suffolk County Funding

Condition

We analyzed the Agency's HSPFS for the audit period and found that the County Program's reported revenue in the amount of $6,282,261 exceeded reported expenses of $6,279,266 by $2,995 of excess County Funding which must be returned to the County (Exhibit, p.16). We then traced each per diem payment made by the County to BICS of the New York State Welfare Management System (County Payment Records) and a determination was made as to which payments pertained to services that were provided during the audit period. However, when totaled we found that actual per diem payments made by the County in the amount of $7,314,489 exceeded the amount reported by the Agency on the HSPFS of $6,149,331 by $1,165,158.

Criteria

The RCM states that all revenues must be reported. In addition, the County Contract stipulates that total revenue of the Agency shall include all income derived from or allocated to the Homeless Shelter portion of the Agency and in sufficient detail to easily identify the sources. The revenue must include, but not be limited to, DSS per diem payments, client fees as determined by the DSS, non-DSS client fees and other miscellaneous revenues. The County Contract also stipulates that if the Agency's allowable costs are less than the amount received (County and fees), the Agency must refund the overpayment to the County via check payable to the order of the Suffolk County Treasurer.

Cause

The Agency recorded a journal entry to reduce the reported program revenues and increase a liability account, Due to Government Agencies, by a corresponding amount thus inappropriately reducing Suffolk County Per Diem Funding reported on the HSPFS by $1,184,505, $787,965 during fiscal year ending June 30, 2016 and $396,540 during the fiscal year ending June 30, 2017. A definitive determination of the cause of the $19,347 difference between the under reported Suffolk County Per Diem Funding ($1,165,158) and the journal entries ($1,184,505) was not within the scope of our audit objectives.

Effect

Although the Agency was overpaid $1,168,153 by the County, the Agency only reported $2,995 of surplus funding on the HSPFS. Consequently, in the absence of a detailed analysis of the County Payment Records as performed above, the remaining $1,165,158 of surplus funding due to the County would go undetected resulting in a substantial loss to the County.

Recommendation
The County Program's excess funding in the amount of $1,168,153 must be returned to the County as stipulated by the County Contract. In addition, the Agency must ensure that all per diem payments received from the County for services provided pursuant to the County Contract are duly reported on the Agency's HSPFS as program revenue. Furthermore, the Agency should reimburse the County for any program revenues in excess of allowable expenditures when submitting its' HSPFS.

Over Reported Suffolk County Client Fee Revenue

Condition
The Agency erroneously over reported Client Fee Income by $132 for the audit period. Client Fee Income represents payments that are made by the Agency's Clients who have been determined by DSS to be financially capable of contributing to the cost of services rendered by the Agency. The Agency is responsible for collecting this contribution each month from the Clients. DSS provided us with a Schedule of Obligations for the Clients and a determination was made as to which payments pertained to services that were provided during the period of audit. However, although DSS determined total client obligations of $54,337 for the audit period, the Agency reported $54,469 which resulted in over reported Client Fee Income in the amount of $132 for the period of audit.

Criteria
The RCM states that Client fees must be reported on the HSPFS whether received or accrued by the Agency. Furthermore, the County Contract stipulates that the Agency must collect from the Client the specified daily obligation based on the Client's excess income, on the date(s) designated by DSS. The Agency must also notify DSS immediately when a Client fails to pay the specified daily obligation on the designated date(s). In addition, the Agency must not bill DSS and DSS will not pay the Agency, the approved per diem rate, but rather the balance of the approved rate less the Client's obligation.

Cause
A definitive determination of the cause of the over reported revenue was not within the scope of our audit objectives.

Effect
The Agency innappropriatly reported/collected $132 of Client fees which, as per DSS' Schedule of Obligations were not due from the Clients for the period of audit.

Recommendation
The $132 of over reported Client Fee Income for the audit period will serve as a decrease to the Agency's excess County Funding and, if actually collected by the Agency, must be returned to the respective Client. To ensure that all required Client Fee Income is duly collected and correctly reported on the Agency's HSPFS the Agency should periodically reconcile recorded Client fee collections to those required by DSS' Schedule of Obligations.

Salaries in Excess of Approved Budgeted Amounts

Condition
The Agency innappropriately exceeded the limitations set forth in the Agency's budget, as approved by DSS, resulting in $269,887 of over-reported Salaries/Wages Expense. We compared, by job title, the salaries/wages reflected in the Agency's most recent (2015) DSS approved budget to the actual salaries/wages reported on Schedule C of the Agency's HSPFS for the audit period. Our analysis disclosed that, adjusting for increases in the living wage pursuant to §575 of the Laws of Suffolk County, New York - Living Wage Law, budgeted salaries/wages were $269,887 less than the salaries/wages reported by the Agency during the audit period.

Criteria
The County Contract states that the Agency's staff positions and salaries shall remain identical to those positions and salaries contained within the Agency's current budget as approved by DSS. Furthermore, §575 of the Laws of Suffolk County, New York - Living Wage Law - states that covered employers shall pay no less than a living wage to their covered employees who actually perform work or render services for a project, matter, contract or subcontract for which the recipient has received compensation.

Cause
The Agency inappropriately increased the salaries/wages and/or reduced the amount of hours of service performed associated with several job classifications without duly receiving prior approval pursuant to DSS' budget approval process.

Effect
The Agency is not entitled to reimbursement from the County for $269,887 of salaries/wages that were paid in excess of the DSS approved budget and for which the Agency did not receive prior written approval from DSS. Consequently, reported Salaries/Wages in the amount of $269,887 is disallowed and must be returned to the County.

Recommendation
As stipulated by the County Contract, the Agency must only report salaries/wages that do not exceed the budgeted amounts approved by DSS. The Agency's management should obtain the proper written DSS approval when wages are expected to exceed the approved budget.

Ineligible Fringe Benefit Expenses

Condition
Fringe Benefit Expense is over-reported by $49,220 due to Salaries/Wages Expense disallowed.

Criteria
Since certain fringe benefits provided by the Agency to its employees are directly related to the level of each individual employee's salaries/wages, we determined that a proportionate share of

fringe benefit expenses that are associated with Salaries/Wages Expense disallowed by the audit must also be disallowed.

Cause
The Agency reported Salaries/Wages Expense which did not comply with the County Contract.

Effect
We determined a fringe benefit rate for each fiscal year under audit by dividing reported salary-driven fringe benefit expenses (not including Health Insurance, Dental Insurance and Tuition Reimbursement) by total reported Salaries/Wages Expense. The resulting fringe benefit rate was then multiplied by the Salaries/Wages Expense disallowed to determine the related Fringe Benefit Expense. Our analysis disclosed that the Agency is not entitled receive reimbursement from the County for $49,220 of reported Fringe Benefit Expense. Consequently, reported Fringe Benefit Expense in the amount of $49,220 is disallowed and must be returned to the County.

Recommendation
As stipulated by the County Contract, the Agency must only report salaries/wages that do not exceed the budgeted amounts approved by DSS. The Agency's management should obtain the proper written DSS approval when wages are expected to exceed the approved budget.

Unallowable Bad Debt Expense

Condition
The Agency inappropriately reported Bad Debt Expense in the amount of $7,747 for which it did not obtain prior written approval from DSS. Although this written approval was requested when the Agency was first notified of our audit, no such approval was included within the Agency's submission of requested documentation. Furthermore, our subsequent discussions with representatives of DSS revealed that no such approvals were granted by DSS for the period of audit.

Criteria
The RCM states that a bad debt expense may only be claimed in a circumstance where the Housing Administrator for DSS has given prior written approval.

Cause
The Agency's internal controls implemented to ensure compliance with the RCM are inadequate.

Effect
The Agency is not entitled to receive reimbursement from the County for $7,747 of reported Bad Debt Expense for which the Agency did not obtain prior written approval from DSS. Consequently, reported Bad Debt Expense in the amount of $7,747 is disallowed and must be returned to the County.

Recommendation
As stated by the RCM, the Agency must only report Bad Debt Expense that is preapproved in writing by DSS. The Agency's management should obtain the proper written DSS approval when Bad Debt Expense is expected to be incurred.

Ineligible and Excessive Continuing Education Expenses

Condition
Continuing Education Expense is over-reported by $13,733 due to costs that are prohibited by the RCM and other inappropriate charges. We reconciled the Agency's general ledger, by expense classification, to the HSPFS and found that the Agency incorrectly classified $14,533 of employee tuition reimbursements as Other Fringe Benefit Expense on the HSPFS. Further analysis disclosed that $10,533 of the tuition reimbursements related to individuals that did not provide services to the County Program during the audit period and $4,000 of the tuition reimbursements made to one employee during the fiscal year ending June 30, 2017 exceeded the $800 maximum permitted by the RCM by $3,200.

Criteria
The RCM states that allowable costs must be reasonable, necessary and directly related to an adequate program for homeless clients, as determined by the County of Suffolk. The RCM also states that the cost of outside college courses are allowable as Continuing Education Expense on the HSPFS provided that the maximum amount of reimbursement per employee per fiscal year is no more than eight hundred dollars ($800) and the cost is included in the DSS approved budget.

Cause
The Agency's internal controls implemented to ensure compliance with the RCM are inadequate.

Effect
The Agency is not entitled to receive reimbursement from the County for $13,733 of reported tuition reimbursements that we determined were ineligible or excessive. Consequently, tuition reimbursements in the amount of $13,733 is disallowed and must be returned to the County.

Recommendation
The Agency should screen all reported expenses to ensure that they are reasonable, necessary and directly beneficial to the County Program. To be reimbursable, reported expenses must comply with the RCM, the County Contract and Agency policy.

Ineligible Professional/Consultant Fees

Condition
The Agency inappropriately reported $86,579 of Consultant Fees related to information technology services that were procured pursuant to a contractual agreement that did not comply with the RCM. The audit disclosed that the agreement was executed on behalf of the independent contractor by its' Vice President of Technology; however, this individual was also

employed as the Agency's Vice President of Technology which we believe constitutes a related party transaction. Upon notification of the audit, the Agency's management represented that business was not conducted with related parties during the audit period. However, the Agency subsequently confirmed that this independent contractor is an affiliate of the Agency.

Criteria
The RCM states that Professional/Consultant Fees are allowable provided that the services are reasonable and necessary and could not have been performed by agency officers or employees. The RCM also states that officers or employees of the Agency must not be engaged by the Agency as consultants. Furthermore, per the RCM, related party transactions must be disclosed to DSS for prior written authorization to be reported as an allowable cost.

Cause
The Agency's internal controls implemented to ensure compliance with the RCM are inadequate.

Effect
The Agency is not entitled to receive reimbursement from the County for $86,579 of reported Professional/Consultant Fees that were paid to a related party that was not duly disclosed to DSS and for which prior written DSS approval was not obtained. Consequently, reported Professional/Consultant Fees of $86,579 is disallowed and must be returned to the County.

Recommendation
The Agency should review all reported expenses to ensure that they are reasonable, necessary and directly beneficial to the County Program. To be reimbursable, reported expenses must comply with the RCM, the County Contract and Agency policy. As a general rule, DSS policy prohibits related party expenses. Therefore, the Agency must not conduct any business transactions with a related party without first disclosing the related party to DSS and obtaining prior DSS approval for the related party transactions.

Excessive Food Expense

Condition
The Agency reported Food Expense which exceeded the DSS approved budget by $2,538. We compared the Food Expense account total reflected in the Agency's most recent (2015) DSS approved budget to the actual Food Expense reported on the Agency's HSPFS for the period of audit and found that budgeted Food Expense of $400 was $2,538 less than reported Food Expense of $2,938.

Criteria
The RCM states that the cost of food and food related services will be considered an allowable program cost if the agency obtains prior written approval from the DSS Housing Administrator or if it is delineated in the DSS approved budget or in the body of the signed contract.

Cause
The Agency's internal controls implemented to ensure compliance with the RCM are inadequate.

Effect
The Agency is not entitled to receive reimbursement from the County for reported Food Expense that exceeded the DSS approved budget by $2,538 and for which the Agency did not receive prior written approval from DSS. Consequently, reported Food Expense in the amount of $2,538 is disallowed and must be returned to the County.

Recommendation
The Agency must periodically review actual expenses to ensure they do not exceed the budgeted amounts approved by DSS and, when necessary, obtain the proper written DSS approval when expenses are expected to exceed the approved budget.

Improper Reporting of Capital Assets

Condition
The Agency inappropriately reported $203,393 of capital assets, all of which had a useful life of greater than 1 year, as Other Expense. Consequently, with the exception of the annual election to expense up to $25,000 of capital assets (not to include real property) during the period of acquisition, these expenses should have been capitalized and depreciated over an appropriate useful life.

Criteria
The RCM dictates that items with a useful life greater than one year must be capitalized. In addition, costs of facility acquisition, construction, or renovation must be depreciated over the useful life of the facility. Renovations or alterations which are considered to be directly related to the program, and therefore allowable as depreciation charges over the useful life of the renovation or alteration includes, but is not limited to: replacement of roofs, boilers, plumbing systems, or similar improvements needed to protect the agency's physical plant, installations of safety devices, such as fire exits, alarms or smoke detectors in existing buildings, renovations to protect the health or safety of shelter residents, and other capital expenditures for minor renovation work. However, the RCM permits the Agency to cumulatively elect to expense up to twenty-five thousand dollars ($25,000) of such items (exclusive of real property) in the year of acquisition.

Cause
The Agency's internal controls implemented to ensure compliance with the RCM are inadequate.

Effect
An audit adjustment is necessary to disallow and capitalize $203,393 of reported Other Expense and to recognize the related depreciation expense in the amount of $71,968. Consequently, the Agency is not entitled to receive reimbursement from the County for $131,425 of capital assets until the related depreciation expense is recognized and reported in subsequent fiscal years.

Recommendation

The Agency must not fully expense assets with a useful life of greater than one year in the year of acquisition. These assets, with the exception of the $25,000 exclusion permitted by the RCM, must be capitalized and depreciated over an appropriate useful life.

Improperly Reported and Excessive Administration Expenses

Condition

The Agency incorrectly classified administrative overhead fees as a Direct Program Expense on the HSPFS. During the period of audit the Agency received administrative and management services from H.E.L.P USA, Inc., a parent organization that administered numerous affiliate organizations that provided services for homeless and low income families and individuals throughout the country. However, the $381,286 of fees charged for these administrative services, which should have been classified as an Administrative Expense on the HSPFS, were erroneously distributed between the Direct Program and Administrative Expense classifications.

Criteria

The RCM states that there are two types of allowable expenditures, Direct Program and Administrative Expenses. Direct Program Expenses consists of those costs that directly relate to the operation of the program, while Administrative Expenses are those that relate to the managment and administration of the Agency. The RCM also stipulates that administrative expenditures will be an allowable cost to the extent that the amount does not exceed twenty percent (20%) of the Agency's allowable Direct Program Expenses (non-administrative). Approval by the DSS Housing Administrator is necessary for the Agency to include as an allowable cost that portion of Administrative Expense which exceeds twenty percent (20%) of allowable Direct Program Expenses.

Cause

The Agency's internal controls implemented to ensure compliance with the RCM are inadequate.

Effect

The audit adjustment necessary to correctly classify all administrative overhead fees as an administrative expense on the HSPFS as well as the other audit adjustments disclosed by the audit have caused audited Administrative Expense to exceed twenty percent (20%) of audited Direct Program Expense by $13,637. Consequently, since the Agency is not entitled to receive reimbursement from the County for $13,637 of excessive Administrative Expense, this amount is disallowed and must be returned to the County.

Recommendation

The Agency should establish a procedure whereby all expenses reported for the County Program are reviewed to ensure that they are properly classified on the HSPFS. In addition, as stated in the RCM, the Agency must not report Administrative Expense in excess of twenty percent (20%) of Direct Program Expense unless the excess amount is approved by DSS. The Agency's management should obtain the proper written DSS approval when reported Administrative Expense is expected to exceed the twenty percent (20%) threshhold.

Other Matters

Our audit also identified the following reportable instances of noncompliance with contracts, laws and regulations which did not result in monetary adjustments.

Unapproved Vehicle Acquisition

Condition
The Agency purchased a vehicle without obtaining prior written approval from DSS. Inquiries made to both the Agency and DSS during the course of the audit disclosed that the vehicle acquisition was not preapproved by DSS.

Criteria
The RCM states that the acquistion or leases of motor vehicles must be approved by the Division Administrator of the Housing Administration prior to being included as an allowable cost.

Cause
The Agency's internal controls implemented to ensure compliance with the RCM are inadequate.

Effect
Four days subsequent to the date of our initial request to the Agency for the required DSS approval letter, DSS retroactively approved the acquistion. It is important to note that retroactive approval was granted on August 9, 2019, more than three years after the end of the fiscal period in which the motor vehicle was purchased. Consequently no monetary adjustment was deemed necessary.

Recommendation
The Agency must request written approval from DSS prior to purchasing or leasing motor vehicles.

Improperly Reported Client Fee Income

Condition
The Agency incorrectly reported client fee revenue in the amount of $20,005 as Contribution Income rather than Client Fees on the HSPFS. Client fee revenue represents payments that are made by the Agency's Clients who have been determined by DSS to be financially capable of

contributing to the cost of services rendered by the Agency. The Agency is responsible for collecting this contribution each month from the Clients.

Criteria

The County Contract stipulates that total revenue of the Agency shall include all income derived from or allocated to the Homeless Shelter portion of the Agency in sufficient detail to easily identify the sources. The revenue shall include but not be limited to, DSS funding, client fees as determined by DSS, non-DSS client fees, and other miscellaneous revenues.

Cause

A definitive determination of the cause of the Agency's noncompliance with the County Contract was not within the scope of our audit objectives.

Effect

Upon cursory review of the Agency's HSPFS, DSS will be unable to determine if the Agency has duly collected from the Client, on the dates designated, the specified daily obligation based on the Client's income.

Recommendation

The Agency must report client fee revenue on the HSPFS Schedule E revenue line designated Client Fees.

EXHIBIT

H.E.L.P.-Suffolk Inc.
Schedule of Revenue, Expenses and Net Audit Adjustment
For the Audit Period July 1, 2015 through June 30, 2017

Expense Category	July 1, 2015 through June 30, 2017 Combined Amount	July 1, 2015 through June 30, 2016 Amount	July 1, 2016 through June 30, 2017 Amount	Notes
Reported Program Revenues	$ 6,282,261	$ 2,997,183	$ 3,285,078	
Less: Reported Expenses	6,279,266	2,994,186	3,285,080	
Total Reported Over/(Under) Funding for Audit Period	**2,995**	**2,997**	**(2)**	1
Adjustments:				
Suffolk County Per Diem Funding	1,165,158	783,484	381,674	2,3
Suffolk County Client Fees	(132)	339	(471)	2,4
Salaries/Wages	269,887	91,387	178,500	5,6,7
Fringe Benefits	49,220	16,715	32,505	8
Bad Debt	7,747	-	7,747	9
Continuing Education	13,733	8,755	4,978	10,11
Professional/Consultant Fees	86,579	42,936	43,643	12,13
Food	2,538	1,358	1,180	14
Other Expense	203,393	53,067	150,326	15,16
Depreciation	(71,968)	(30,613)	(41,355)	15,16
Agency Administration	13,637	13,637	-	17,18
Total Adjustments	1,739,792	981,065	758,727	
Total Amount Due Suffolk County	**$ 1,742,787**	**$ 984,062**	**$ 758,725**	

NOTES TO EXHIBIT

The following notes refer to specific sections of the RCM, the County Contract and other applicable rules and regulations used to develop our recommended disallowances. We summarized the applicable sections to explain the basis for each disallowance. We provided Agency officials the opportunity to review the details supporting our recommended disallowances when they received the draft version of this report.

1. County Contract, Article II (7) (k) (iv) - If the Contractor's allowable costs are less than the amount received (County and fees), the Contractor shall refund the overpayment to the Department via check payable to the order of the Suffolk County Treasurer within sixty (60) days after the Department has determined there is excess revenues over expenses. However, recovery of the overpayment does not preclude the Suffolk County Comptroller from auditing the records of the Contractor pursuant to Article II (5) (a).

2. County Contract, Article II (7) (k) (iii) - Total revenue of the Agency shall include all income derived from or allocated to the Homeless Shelter portion of the Agency in sufficient detail to easily identify the sources. The revenue shall include, but not be limited to, DSS funding, Client Fees as determined by DSS, non-DSS client fees and other miscellaneous revenues. In addition, the RCM dictates that all revenues must be reported.

3. We traced each payment made by the County to the Agency to BICS of the New York State Welfare Management System (County Payment Records) and a determination was made as to which payments pertained to services that were provided during the period of audit. Our analysis disclosed that Suffolk County Per Diem Funding reported by the Agency on the HSPFS was $1,165,158 less than that paid as per BICS.

4. County Contract, Article II (7) (m) - The Contractor shall collect from the client the specified daily obligation based on the client's excess income, on the date(s) designated. The Contractor will notify the Department immediately when a client fails to pay the Contractor the specified daily obligation on the date(s) designated by the Department. For the date(s) designated, the Contractor shall not bill the County and the County will not pay the Contractor, the approved per diem rate, but rather the balance of the approved rate less the client's obligation. The RCM dictates that Client Fees must be reported on the HSPFS whether received or accrued by the Agency.

5. County Contract, Article I (16) (a) – During the term of this Contract the Contractor's staff positions and salaries shall remain identical to those positions and salaries contained within the Contractor's current budget as approved by the Department.

6. §438.3 (F) (5) & (6) of the Laws of Suffolk County, New York - Staff of the congregate emergency shelter shall be fingerprinted and screened for convictions of

offenses by the Commissioner of Social Services, or his/her departmental designee, using the background screening procedures established by Article III of this Chapter. Utilization of staff found to be disqualified through the background screening procedures established by Article III of this Chapter shall be prohibited.

7. §575 of the Laws of Suffolk County, New York – Covered employers shall pay no less than a living wage to their covered employees who actually perform work or render services for a project, matter, contract or subcontract for which the recipient has received compensation.

8. The Fringe Benefit adjustment consists of the fringe benefit expenses associated with Salaries/Wages Expense disallowed which was determined by multiplying total Salary/Wages Expense disallowed by the percentage of total wage-based fringe benefits (FICA, Worker's Compensation, State Unemployment and Disability Expenses, etc.) to total reported Salary/Wages Expense.

9. RCM, Allowable Expense Categories, Paragraph 4 - A bad debt may only be claimed in a circumstance were the Housing Administrator for the Department has granted prior written approval.

10. RCM, Allowable Expense Categories, Paragraph 5 (C) - Costs of outside college courses are allowable provided the maximum amount, per employee, per fiscal year does not exceed eight hundred dollars ($800) and it is included in the budget.

11. RCM, Introduction - Allowable costs must be reasonable, necessary and directly related to an adequate program for homeless clients, as determined by the County of Suffolk.

12. RCM, Allowable Expense Categories, Paragraph 13 (D) & (E) - Professional fees are allowable provided that the services are reasonable and necessary and could not have been performed by Agency officers or employees; and, officers or employees of the agency are not engaged by the Agency as consultants.

13. RCM, Introduction - All related parties must be disclosed by the Agency to the Department. As a general rule, related party expenditures are not allowable unless they are preapproved by the Department. Costs incurred pursuant to related party transactions that are preapproved by the Department will only be allowable to the extent that they do not exceed the amount the agency would have incurred had legal title to the leased or purchased items or facilities been vested in it.

14. RCM, Allowable Expense Categories, Paragraph 8 - The cost of food and food related services will be considered an allowable program cost if the Agency obtains written approval from the Department of Social Services Housing Administrator or if it is delineated in the approved budget or in the body of signed contract.

15. RCM, Capital Expenditures - Items with a useful life of greater than one year must be capitalized. The costs of facility acquisition or construction must be depreciated over the useful life of the facility. Renovations or alterations which are considered to be directly related to the program are allowable as depreciation charges over the useful life of the renovation or alteration and include, but are not limited to: replacement of roofs, boilers, plumbing systems, or similar improvements needed to protect the Provider's physical plant. Installation of safety devices, such as fire exits, alarms or smoke detectors in existing buildings; renovations necessary to comply with shelter resident needs; renovations to protect the health or safety of Suffolk County's clients; and other capital expenditures for minor renovation work are allowable.

16. RCM, Allowable Expense Categories, Paragraph 6 (F) (1) - For all depreciable assets, excluding real property, regardless of the number of locations, you may cumulatively elect to expense in the year of acquisition an amount not to exceed twenty-five thousand dollars ($25,000).

17. RCM, Introduction - For any particular year, administrative expenditures, including fringe benefits on administrative salaries, will be an allowable cost to the extent that the amount does not exceed 20% of the Agency's allowable program related (non-administrative) costs. Approval by the Department's Housing Administrator is necessary for an Agency to include as an allowable cost that portion of administrative expense which exceeds 20% of allowable program related expenses.

18. RCM, Introduction - There are two types of allowable expenditures, Program costs and Administrative costs. Program costs are those expenditures that directly relate to the operation of the program, while Administrative costs are those that relate to the management and administration of the agency.

CONTRIBUTORS TO THIS REPORT

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APPENDICES

APPENDIX A

AGENCY'S RESPONSE TO THE AUDIT

HELP USA

Providing Homes, Jobs, and Services for America's Homeless
Over 375,000 People Helped Since 1986

Building Better Lives

March 10, 2021

Thomas H. Macholz, CPA, CFE
Investigative Auditor
Office of Comptroller
Suffolk County Dept. of Social Services
Hauppauge, NY 11788-8900

Re: H.E.L.P Suffolk –FY 16-17 Audit Draft Report

Dear Mr. Macholz:

1. We agree that surplus is equal $1,168,153 but it must be reduced by $63,365.96 and equal $1,104,687.04.
   That is because we included in minor capital for stair replacement project $71,600 in FY16 and $9,600 in FY17 but actually we spent only $8,134.04 these years (3,000 in FY16 and $5,34.04 in FY17).
   The rest in the amount $63,365.96 was spent in following years. Please see the 5th attached file.

   We are requesting to accept the above-mentioned explanations and use $1,104,687.04 for the Suffolk County Per Diem finding in the EXIBIT to the Draft Audit Report instead of $1,165,158.

   The Stairway project back up attached.

2. We never received approved Suffolk DSS FY16 and FY17 budgets even though we requested that via attached emails and
   Patricia Burke was doing that but we never got the final approved once. Please see the 3rd and 4th attachments.
   Anyway, our FY16 and FY17 Close-Outs with actual reported spending was less than approved FY15 budget. You already have the reports and did your analysis for the disallowance.

   We are requesting to wave the disallowance and remove $269,887 the Salary Adjustment from the EXIBIT to the Draft Audit Report.

115 East 13th Street New York, New York 10003 t (212) 400 7000 f (212) 400 7005 www.helpusa.org

APPENDIX A

AGENCY'S RESPONSE TO THE AUDIT

3. We do not agree with Fringe Adjustment in the amount of $46,220 listed on the EXIBIT to the Draft Audit Report. That relates to #2 explanation above on that letter.

   We are requesting to wave the disallowance and remove $49,220 Fringe Benefit Adjustment from the EXIBIT to the Draft Audit Report.

4. We agree with $7,747 Bad Debt adjustment on the EXIBIT to the Draft Audit Report.

5. We agree with $13,733 Continue Education Adjustment on the EXIBIT to the Draft Audit Report

6. As we discussed during the Exit Conference, Briteway is affiliated to HELP USA Inc. the same way as HELP Suffolk, HELP Bronx and many other legal entities.
   Briteway was established in 90s of previous century to create and provide support of the computer, Internet and telephone networks for all affiliated to HELP USA entities.
   Briteway is also set up all necessary software to operate all companies, including financial software, and administer our database and keep it confidential and secure.
   That is also non-for-profit organization. Having Briteway is much cheaper (no profit included on that cost) and much more secure than have a third party organization. It has a separate payroll as well.
   Please see attached agreements and bids. DHS, HRA and HPD raised the same question as Suffolk audit raised now but many years ago and agreed with above mentioned and keep reimbursing us for the listed above services.

   We are requesting to wave the disallowance remove that $86,579 the Professional/Consultant Fees Adjustment from the EXIBIT to the Draft Audit Report. We attached the backup related to Bigteway.

7. We agree with $2,538 Client Food Adjustment on the EXIBIT to the Draft Audit Report.

8. We do not agree with $131,425 of fixed assets (net of the related depreciation expense) disallowance. That facility belongs to the Suffolk county. We are doing necessary minor capital project
   to keep the facility eligible for providing services and report to the DSS the projects. We are just getting DSS funds to pay the vendors and DSS can do that by itself instead. For us that is pass through funds.
   DSS should do appreciation and depreciation the building in the books but that cannot apply to HELP USA books. We requested funds to by a van in FY16. That van was purchased on HELP USA name but actually belongs to Suffolk DSS and can be transferred back to the funder per

Page 2 of 3

funder's request. That was also pass through money used for the purchase. No depreciation should be done. That is the same way how DHS, HRA and HPD treat the purchases and let us expense them the same year when we receive the related funds. Otherwise we would incurred loss and would not be able to pay for those purchases as well.

We are requesting to wave the disallowance and remove that $203,393 Other Expense (Fixed Assets) Adjustments from the EXIBIT to the Draft Audit Report.

9. Depreciation Adjustment relates to Other Expense (Fixed Assets).

   We are requesting to wave the disallowance and remove -$71,968 Other Expense the Depreciation Adjustments from the EXIBIT to the Draft Audit Report.

10. We do not agree with $13,637 Agency Administration disallowance. We did not exceed in FY16 Admin expense after removal all above listed disallowances from FY16 Suffolk Program expense Close-Out report.

    We are requesting to wave the disallowance and remove $13,637 Agency administration Adjustments from the EXIBIT to the Draft Audit Report.

Sincerely,

Alexander Manevich

Controller Transitional Housing

Thank you.

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APPENDIX B

COMPTROLLER OFFICE'S COMMENTS ON THE AGENCY'S RESPONSE

The unofficial draft audit report for the audit period July 1, 2015 through June 30, 2017 was transmitted to the Agency on February 4, 2021, with a letter inviting the Agency to submit a formal written response no later than March 3, 2021. The Agency was instructed that, if it had any questions concerning the draft audit report or if it wished to review the audit work papers, our office must be contacted no later than February 10, 2021. The letter also offered the Agency the opportunity to attend an exit conference provided that it was scheduled on or before February 17, 2021.

On February 11, 2017, at the Agency's request, we furnished the Agency with copies of our audit work papers to support the audit findings. Furthermore, the Agency requested that we schedule a final exit conference for February 24, 2021 to accommodate all of the necessary attendees. Consequently, on February 24, 2021 a final exit conference was held with the Agency to discuss the draft audit report and the related work papers. Attendees at the meeting were as follows:

Name	Department / Agency
Stephen McMaster, Senior Investigative Auditor	Audit & Control
Thomas Macholz, Investigative Auditor	Audit & Control
Alexander Manevich, Controller	H.E.L.P.-Suffolk, Inc.
John Sullivan, Accounting Manager	H.E.L.P.-Suffolk, Inc.
Diane Wu, Senior Accountant	H.E.L.P.-Suffolk, Inc.
Kristin Ohrtman, Executive Director	H.E.L.P.-Suffolk, Inc.

At the exit conference, the audit findings and recommendations were discussed at length. At this time the Agency's Controller (Controller) informed us that additional documentation which would resolve many of the audit findings would be forwarded to our office in the upcoming days along with the Agency's formal written response. At this time we extended the Agency's time in which to submit a written response to the audit to March 10, 2021.

The Agency submitted a formal written response to the audit report on March 10, 2021 (Appendix A, p. 24) and in the interim provided various documents which purportedly disputed many of the audit findings and recommendations. However, our review of the Agency's submission disclosed that the majority of the documents did not adequately warrant revision to the audit report. Our assessment of the Agency's response to the audit is as follows:

1. Although the Controller does not dispute our determination of surplus Suffolk County Per Diem Funding in the amount $1,168,153 he contends that $63,366 of this funding pertains to expenses that were budgeted for a capital project that was to be performed during the period of audit. However, since this project was not completed during the period of audit the related funding was not expended until subsequent fiscal years. Consequently, the

Controller asserts that since the project was approved by DSS and since the related funding was eventually dispersed, the Amount Due to the County should be reduced by $63,366. In order to verify the Controller's contention that this funding was necessary to cover the related project expenses that were incurred and reported in the subsequent years, we performed a cursory review of the Agency's Homeless Shelter Financial Statements and OTDA filings submitted to DSS for the fiscal years ending June 30, 2018, 2019 and 2020. Our review disclosed that the Agency's assertion is incorrect in that the subsequent year's funding by Suffolk County was more than sufficient to cover the related capital project's expenses. Consequently, no revision of the audit report is deemed warranted.

2. The Controller contends that fiscal year ending June 30, 2016 and 2017 budgets were duly submitted to DSS for approval. The Controller further asserts that, despite various e-mail requests to DSS for approval, the Agency did not receive final approval. To support his contention, the Controller provided the fiscal year ending June 30, 2016 and 2017 budget submissions in question as well as correspondence from DSS addressing the Agency's per unit rate for each fiscal year. Our review of the Agency's budgets revealed that the Agency was seeking per unit rates of $134.14 and $137.16 for the fiscal years ending June 30, 2016 and 2017 respectively. However, our review of the related DSS rate letters, which were provided to the Agency pursuant to each respective budget submission, disclosed that the per unit rate of $138.83 that was established by DSS on July 1, 2014 utilizing the Agency's DSS approved budget would remain in full force and effect for the fiscal years ending June 30, 2016 and 2017. Consequently, we believe that the Agency was on full notice that the newly submitted budgets were not approved and that the Agency would be contractually bound to adhere to the 2015 budget limitations. Furthermore, the DSS rate letters reminded the Agency that any changes to staffing and positions must be approved in writing by DSS. As a result, no revision of the audit disallowance related to Salaries/Wages paid in excess of approved budgeted amounts as well as the related Fringe Benefit Expense are deemed warranted.

3. The Controller did not dispute the audit disallowances related to Bad Debt and Continuing Education Expense. Consequently, no revision of the audit report is necessary.

4. The Controller contends that the agreement between H.E.L.P. USA and Briteway, an affiliated not-for-profit organization that provides information technology services solely to H.E.L.P. USA and its affiliates, provides for cheaper and more secure services than can be provided by a for-profit third party entity. However, the Controller did not provide any original source documentation supporting that the related costs are equivalent to those which would have been incurred had the Agency provided the support services internally through agency employees. In addition, the Controller did not provide any original source documentation such as internal work orders, time records, etc. substantiating that the reported costs were commensurate with the level of services required by the County Funded Program. Documentation such as this would be necessary for DSS to determine the level of need of the County Funded Program and the reasonableness of the related party

APPENDIX B

COMPTROLLER OFFICE'S COMMENTS ON THE AGENCY'S RESPONSE

expenditures prior to providing written approval which is required by the RCM and was not obtained by the Agency. The Controller did not address that since the agreement between Briteway and H.E.L.P. USA was executed on behalf of Briteway by its' Vice President of Technology who was also employed as H.E.L.P. USA's Vice President of Technology is specifically prohibited by the RCM which states that officers or employees of the Agency must not be engaged by the Agency as consultants. Consequently, in the absence of any credible substantiating documentation, no revision of the audit report is deemed warranted.

5. The Controller did not dispute the audit disallowances related to Food Expense. Consequently, no revision of the audit report is necessary.

6. The Controller contends that since the capital assets that were acquired by the Agency on behalf of Suffolk County and for the benefit of the County Funded Program and since the County contractually retains a proprietary interest in all such assets, the costs should be recognized when incurred rather than depreciated over an appropriate useful life thus treating the related funding as pass through funds. As the Controller is aware, the Agency is contractually required to adhere to the requirements of the RCM and, as such, must maintain its accounting records on the accrual basis of accounting. The RCM dictates that items with a useful life greater than one year must be capitalized. In addition, costs of facility acquisition, construction, or renovation must be depreciated over the useful life of the facility. As explained to the Controller at the exit conference, desired changes in the funding mechanism employed by DSS must be negotiated with DSS on a going forward basis. Consequently, no revision of the audit report is deemed warranted.

7. The Controller contends that once all requested report revisions detailed above have been made the Agency's Administration Expense will not exceed 20% of Direct Program Expenses and, therefore, $13,637 of Agency Administration Expense disallowed by the audit must be reversed. However, since no revision to the audit report as a result of the contentions reflected in the Agency's response are warranted, no revision of the audit disallowance related to Agency Administration Expense is necessary.

APPENDIX C

AUDIT SCOPE AND METHODOLOGY

The scope of the audit was limited to the revenue, expenses, and other required statistical data reported on the Agency's HSPFS for the July 1, 2015 through June 30, 2017 fiscal years.

In order to accomplish the objectives as stated in the Letter of Transmittal, we performed the following procedures:

- Examined the County Contract, DSS' Budget Review Letter, the RCM and applicable laws to determine the rules, regulations and other compliance requirements related to the audit objectives.

- Obtained DSS records relating to employee screenings that are required by §438 of the Laws of Suffolk County, New York.

- Compared the DSS employee screening records to the employees reported on Schedule C of the HSPFS to ensure that all employees that come into direct, unsupervised contact with the Clients have been duly screened.

- Obtained a clearance determination from DSS for any employee reported on Schedule C of the HSPFS who was not reflected in DSS' screening records as being cleared to work at the Agency's shelter locations.

- Disallowed any payments made to individuals not approved to work at the Agency's shelter locations as required by §438 of the Laws of Suffolk County, New York.

- Obtained and reviewed the schedule maintained by DSS to oversee the Agency's compliance with the RCM regarding the utilization and/or return of Capital Reserve funds.

- Verified that all Capital Reserve funds retained by the Agency were either expended on an acquisition that was approved by DSS or were returned to the County within four years as required by the RCM.

- Reconciled the revenues and expenses reported on the HSPFS to the Agency's general ledger and IRS Form 990.

- Reviewed the Agency's annual HSPFS to ascertain if the reported revenues exceeded reported expenses as such excess funding must be remitted to the County.

- Reconciled the revenue reported on the HSPFS to the revenue payments made to the Agency as per BICS for services rendered during the audit period pursuant to the County Contract.

APPENDIX C

AUDIT SCOPE AND METHODOLOGY

- Compared the Client Fee Revenues reported on the Agency's HSPFS with the required client fee collections as per the Agency's Schedule of Obligations maintained by DSS. Compared by job title the salaries/wages reflected in the Agency's DSS approved budget to actual salaries/wages reported on Schedule C of the Agency's HSPFS and disallowed any amounts exceeding budgeted amounts as such excess is prohibited by the County Contract.

- Compare the Food, Dues and Subscriptions and Continuing Education Expenses reported on the Agency's HSPFS to the corresponding amounts approved per the Agency's DSS approved budget and disallow any excess amounts as such excess is prohibited by the RCM.

- Verified that Interest Expense reported on the Agency's HSPFS was in compliance with the RCM.

- Verified that Training Expense reported on the Agency's HSPFS was preapproved by DSS (when required by the RCM).

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment and, therefore, the related findings should not be projected across the intended population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

APPENDIX D

LIST OF ABBREVIATIONS

Abbreviation	Description
Agency	H.E.L.P.-Suffolk Inc.
BICS	New York State's Benefit Issuance Control System
Client	DSS-Authorized Homeless Shelter Client
Contractor	An agency contracted by DSS to provide emergency housing services on behalf of the County
County Contract	Agreement between the Agency and the County
County Program	Emergency Housing Services Program
DSS	Suffolk County Department of Social Services
GAAP	Generally Accepted Accounting Principles
HSPFS	Homeless Shelter Provider Financial Statements
RCM	Suffolk County Department of Social Services Reimbursable Cost Manual for Not-for-Profit Shelter